# JULY-JANUARY 2022-23: RS4BN INCREASE IN REVENUE COLLECTION

ISLAMABAD: The Federal Board of Revenue (FBR) has provisionally collected Rs 537 billion during January 2023 against the monthly budgetary target of Rs533 billion, reflecting an increase of Rs4 billion.

The provisional tax collection of the FBR stood at Rs3,965 billion in the first seven months of the current financial year against the assigned target of Rs4,206 billion for July-January (2022-23), reflecting a shortfall of Rs241 billion. According to an announcement of the FBR on Tuesday, the tax machinery has demonstrated a commendable revenue collection performance during January 2023 and has not only achieved the monthly budgetary target of Rs533 billion but surpassed it by Rs4 billion.

According to provisional figures, the FBR has collected Rs537 billion in the month of January 2023, thereby, showing an impressive growth of 23 per cent compared to the same month last year. Cumulatively, FBR has collected Rs3,965 billion in the first seven months of the current financial year against Rs3,367 billion collected in the corresponding period of last year depicting a growth of 18 per cent. The third quarter (January-March) of the current year started with an impressive performance and the team FBR is committed to meet the annual budgetary target of Rs7,470 billion for the current financial year despite economic challenges.

Direct taxes collection has grown at a robust pace, which has shown growth of 48 per cent during the first seven months of the current financial year which is reflective of the government's policy of shifting the tax burden to wealthy and affluent segments of society. It is also highlighted that the administrative and enforcement measures of the FBR have yielded results which is reflected in the growth of direct taxes in special and the domestic taxes at large. The growth in domestic taxes is 40 per cent during the same period.

The contribution of domestic taxes has also increased from 50 per cent last year to 59 per cent during the current year. Furthermore, it is also significant that the collection from Customs Duty has shown an increase of 16 per cent during the month of January 2023 as compared to the same month last year. Additionally, the FBR has not stopped short of taking care of exporters' liquidity problems and has issued refunds of Rs208 billion during the first seven months of the current financial year as against Rs183 billion during the corresponding period of last year which is 14 per cent more than the previous year's issued refunds.

The FBR appreciates all those taxpayers whose due contributions helped in the achievement of the budgetary target and also lauds the endeavours of all field formations and its officers for their untiring efforts and commitment to optimise revenue collection in challenging economic situation.

R 1-2-2023

# TAX SHORTFALL NARROWS TO RS214B: RUPEE FALL HELPS INCREASE TAX COLLECTION, EXPECTS TO GIVE OVERALL BOOST OF RS180B

ISLAMABAD: The tax collection shortfall narrowed to Rs214 billion in the first seven months of current fiscal year after the Federal Board of Revenue (FBR) started reaping the bonanza of currency devaluation, which is now expected to boost the dwindling revenues by Rs180 billion by June.

FBR managed to collect Rs3.97 trillion in taxes in the July-January period of current fiscal year, falling short of the target by Rs214 billion, according to FBR officials. The gap was Rs218 billion till the end of December.

Hardly a week ago, the FBR feared that it would suffer another Rs40 billion tax shortfall in January as the appointment of Tariq Pasha, former FBR chairman, as special assistant to the PM on revenue was not helping either.

But the government's decision to cave in to the International Monetary Fund (IMF)'s demand to let market determine the exchange rate proved to be a blessing for the struggling FBR. As a result, against the monthly budgetary target of Rs533 billion, it provisionally collected Rs537 billion.

FBR on Tuesday informed the IMF that due to currency devaluation, it would get a revenue boost of Rs180 billion during the remaining period of current fiscal year. Earlier, it was expecting an overall shortfall of Rs167 billion against the annual target of Rs7.470 trillion.

It told the IMF that it did not need any additional revenue measures. The IMF will discuss the FBR's fresh work on Wednesday (today).

However, it does not mean that the government will not require a mini-budget as slippages in the power sector and extra expenditure will still need additional revenue measures.

Earlier, the FBR had worked out its revenue forecast based on the average exchange rate of Rs231, which has now settled around Rs265 to a dollar, giving it a major boost in tax collection.

A day after the government allowed the rupee value to be determined by market forces, the customs department collected Rs11 billion in a single day. This helped increase its monthly collection to Rs85 billion, which was still Rs10 billion less than the goal but better than previous expectations.

The collection of Rs537 billion in January 2023 was 23% more than the same month last year, according to a press statement.
Overall, the FBR achieved 18% growth in tax collection during the July-January period, which was lower than the required growth rate and also far lower than the inflation rate.
FBR said that it issued refunds of Rs208 billion in the first seven months of current financial year as against Rs183 billion in the corresponding period of last year.
The overall collection of customs duty remained below target for the seventh consecutive month. FBR collected Rs552 billion in customs duty, which was Rs24 billion lower than last year.
Its collection in seven months was Rs86 billion less than the target, which the department now hopes to recover on the back of higher imports and higher dollar prices.
Income tax collection in seven months amounted to Rs1.74 trillion, up by Rs564 billion, or 48%. The collection exceeded the target by Rs15 billion.
The Sindh High Court last month struck down the super tax, which caused a Rs218 billion shortfall in the six-month target.
In January, the FBR collected Rs221 billion in income tax, exceeding the monthly target by Rs34 billion. It was also helped by the higher value of the dollar.
Sales tax collection amounted to Rs1.47 trillion in seven months, Rs17 billion less than the comparative period of last fiscal year. It is a major failure of the FBR, which has not been able to reap the benefit of 25% inflation. FBR lacks sales tax experts in its strong 21,000 workforce.
FBR missed the seven-month sales tax target by Rs166 billion. In January, the FBR pooled Rs204 billion in sales tax, missing the monthly target by Rs11 billion.
Federal excise duty collection stood at Rs190 billion, missing the seven-month target by Rs16 billion. The collection was higher by Rs19 billion compared with the revenues received in the same period of last fiscal year.

TR 1-2-2023

## PAKISTAN CUSTOMS LAUNCHES DIGITALLY INTEGRATED SYSTEM TO CONTROL UNDER-INVOICING

KARACHI: In order to address the perennial problem of mis-invoicing/under-invoicing, Pakistan Customs has developed an electronic solution which has recently been launched by the Directorate General Valuation (Customs), Karachi.

This system, called LIVE (Linking International Values), has been developed by Directorate of Reforms & Automation team and it has been digitally integrated with the WeBOC system. The system works by providing current price data of different commodities and goods from reputed international publications, which enables Assessing Officers to cross check declared values and to re-assess in case of variations. Overhauling the existing system for improving the assessment of imported goods is one of main objectives of the current reform efforts.

A number of interventions have been designed and made part of the Prime Minister's Strategic Road Map for plugging revenue leakages and reducing the tax gap. The LIVE system was proposed by a team of Pakistan Customs, including current Member Customs – Operations, in a Study Report on Customs Valuation which was issued in May 2019. Other interventions recommended in Study Report included a robust Risk Management System, an effective Post Clearance Audit Department and a cutting edge ICT solution to deliver the complete eco-system at par with any developed economy. A few months ago, the fast track implementation of all these recommendations has been initiated by Pakistan Customs.

The New System not only makes the published value digitally visible to the Assessing Officers (AOs), but it also confirms its utilization by that Assessing Officer for assessment of an item. Furthermore, such assessment becomes part of the ninety (90) days data which would help in strengthening/improving quality of the transactional value data. In the first phase of launching the LIVE system, the integrated International Publications include London Metal Bulletin (LMB); Public Ledger; Emerging Textile, Platts, Reuters, ICIS and Asian Pulp & Paper (Risi Info). Import value of the said items (during the financial year 2021-22) is Rs. 821 Billion. In line with the Prime Minister's Strategic Roadmap, values of other important items (such as chemicals, Edible Oils, Coated & Uncoated paper, Polyester Filament Yarn & Fibre, and other items) shall be integrated in the System by 30th June, 2023.

CN 1-2-2023

## SHC ORDERS STATUS QUO IN SCRA FILED BY TEXTILE MILL

KARACHI: February 15 was fixed for hearing a Special Custom Reference Application filed by Gadoon Textile Mills Limited and Fazal Textile Mills Ltd against Secretary Finance, Custom Appellate Tribunal Karachi, Collector Custom (Adjudication-II) and Collector Custom (Appraisement) East by a custom appellate bench of High Court of Sindh. AS the hearing commenced, the bench noted that certain documents particularly reply to the Show Cause Notice which was placed before the  Custom Appellate Tribunal is not annexed with the instant SCRA.

The bench asked Faiz Durrani Advocate, counsel for the applicant to file the said document with advance copy to the respondent side. The bench later put off further proceedings till Feb 15 while directing maintenance of status quo. Ms Afsheen Aman Advocate represented custom department while federation of Pakistan was represented by Qazi Ayazuddin Qureshi and G.M.Bhutto Advocates.

CN 31-1-2023

# FBR REJECTS TV BOARD DECLARATION

KARACHI: Federal Board of Revenue (FBR) has rejected declaration by M/s. Changhong Ruba Electric Company (Pvt) Limited for clearance of TV boards.

Pakistan Customs in this regard issued Public Notice No. 01/2023 regarding implementation of the orders of the Appellate Tribunal Lahore Bench in Customs Appeal regarding determination of 'PCB Board for LED TV'. The Directorate of Post Clearance Audit (Central), Lahore forwarded a reference vide letter C.No.PCA/LHR/Team-A/180/2019/6307 dated 03.03.2022 for classification of 'PCB Boards for LED TV' under PCT Code 8529.9090 or under PCT 8534.0000.

Brief facts as reported by the referring Directorate are that M/s Changhong Ruba Electric Company (Pvt) Limited, Lahore imported consignments of 'PCB Boards for LED TV' and cleared the same under PCT heading 8534.000.

The Directorate of Post Clearance Audit (Central), Lahore observed that printed circuit boards imported in the subject cases were fully mounted as it was evident from the examination reports and classifiable under PCT heading 8529.9090 being parts of LED TV in light of Explanatory Notes to Heading 8534 which clearly excludes fully mounted circuit boards.

The referring Directorate asserted that in case of GD No.LAPR-HC-4995-30-09-2019, the importer did not object or feel aggrieved with classification/assessment of the Collectorate.

The referring Directorate further stated that contravention was made and the case was adjudicated vide Order-In-Original No.395/2021 upholding the classification and stance of the Directorate. Being aggrieved, the importer filed Appeal No.62/LB/2022 before the learned Appellate Tribunal, Lahore Bench and the learned Tribunal vide orders dated 22.02.2022 directed for referral of the matter to the Classification Centre for determination of the under impugned goods.

Hearings in the case were held on 05.04.2022, 11.05.2022, 13.08.2022, 22.10.2022 and 12.11.2022 which were attended by representatives of importer, Directorate of Post Clearance Audit and members of the Classification Committee.

The Departmental Representative contented that goods are active as well as passive components mounted PCBs and specifically designed for use in the manufacturing of televisions. Moreover, Examination reports as well as declared description confirm that the imported PCBs are specific for LED televisions; hence, correctly classifiable under PCT headings 8529.9090.

The Departmental Representative also asserted that the declared PCT heading 8534.0000 was totally irrelevant as this heading clearly excludes components mounted PCBs in light of Explanatory Notes to HS Code 8534 and Note 2 to Section XVI. On the other hand, representative of importer argued that printed circuits are specifically classifiable under PCT heading 8534.0000 in Pakistan Customs Tariff lie further contended that Printed Circuit Boards are classified under PCT headings 8534.0000 in the Fifth Schedule to the Customs Act, 1969. Moreover, Printed Circuit Boards are classifiable under HS code 8534.0000 in the Valuation Rulings No.1425/2019 dated 06.11.2019 and 1494/2020 dated 27.11.2020.

The Classification Committee considered the arguments and documents put forth by the two sides and also perused the relevant provisions of law dealing with the HS classification. Classification of any imported goods under Pakistan Customs Tariff is determined under the General Rules for the Interpretation (GIR) of First Schedule to the Customs Act, 1969.

The classification committee considered stance taken and PCT Code 8534.0000 relied upon by the importer. As far as the PCT Code of printed circuit boards mentioned in the above referred Valuation Rulings issued under Section 25A of the Customs Act, 1969, and the Fifth Schedule to the Customs Act, 1969, is concerned, the Committee observed that such mentioning of PCT Codes is for reference purposes only and not for legal determination of classification of goods.

Needless to mention that PCT Code '8534.000' mentioned against S.No.23 Table under Part-I of the Fifth Schedule to the Customs Act, 1969 was changed to "Respective heading' vide Finance Act, 2021-22 to correct any confusion regarding PCT Codes of two types of goods described therein as 'Bare or Stuffed Metal Clad Printed Circuit Board (MCPCB)' and that on queries from field formations, the Board vide letter C.No.1(36) Mach./95 dated 14.02.2022 clarified that such change was meant to basically make the description and PCT Codes consistent.

The committee observed that the subject 'Printed Circuit Boards' are specifically designed for LED televisions and are reported to be mounted, in terms of Explanatory Note to PCT heading 85.34, as sated above, such boards stand excluded therefrom and in the light of Note 2(b) of the Section Notes to Section XVI, such types of boards fall under PCT headings 8529.9090. In light of the above mentioned facts, Classification Committee is of the view that the subject goods i.e. of 'PCB Boards for LED TV' are appropriately classifiable under PCT heading 8529.9090, in terms of Rule land 3(4) of the General Rules of Interpretation.

PR 31-1-2023